

DIRECTORATE OF INTELLIGENCE

Central Intelligence Bulletin

Secret

50 11 September 1969

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No. 0218/69 11 September 1969

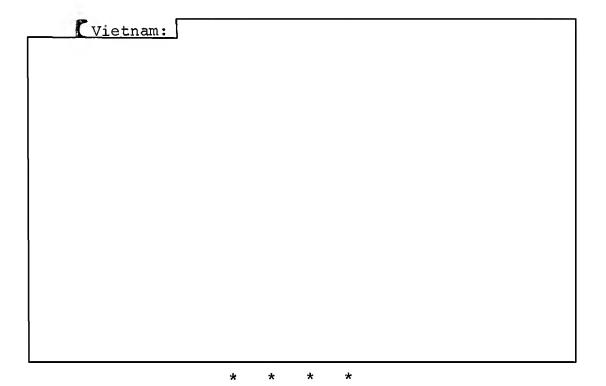
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In Saigon, some concern is being expressed by supporters as well as critics of President Thieu that the once feared and now discredited Can Lao Party of the Diem era may enjoy a resurgence under the Khiem cabinet. Several new ministers, along with Khiem himself, are being mentioned as former members of the Can Lao, which served as the late president's clandestine instrument of political control. Reports that some of these ministers are already staffing jobs with Can Lao cadres have contributed to current apprehension.

The self-declared Communist cease-fire has ended amid continuing signs that the enemy plans another surge of attacks soon.

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The attacks will probably take the form of widespread shellings so prevalent in recent enemy "high points." A limited number of ground probes against allied installations in the provinces northwest of Saigon can be expected. There is also evidence that additional surges in Communist military activity are planned for later this month.

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Panama: The appointment of new advisers on canal treaty matters could foreshadow a formal request to resume talks on the long-dormant draft canal treaties.

The Foreign Ministry announced earlier this week that the new three-man team, including one staunch nationalist with anti-US views, has been charged with re-evaluating all issues relating to the canal. Government-inspired press commentary quoted official sources as stating that negotiations with the US have never been suspended and will merely be "reintensified." In addition, the government has requested advisory assistance from the United Nations Economic Commission for Latin America in negotiating the treaties. This maneuver may be intended to bolster international support for Panamanian objectives. These moves suggest that Panama may press hard for new concessions in any revived round of talks.

There is growing evidence that the country's military rulers hope to demonstrate that their position is sufficiently strong to deal with the important treaty question. Moreover, national guard strongman General Torrijos probably wants to portray US agreement to resume talks as a sign of unqualified support for his dictatorial regime.

It is possible that Torrijos will attempt to discuss the canal treaties and increased aid with US officials during a scheduled visit to the US later this month to attend the Ninth Conference of American Army Commanders.

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Japan: Extremist elements of the student movement have pulled together into a new "mass" organ-ization to lead the drive against the US-Japan mutual security treaty.

The new group, Zenkyoto, brings together eight radical, violence-prone student factions and joint struggle councils from 42 universities. Putting aside their fierce campus rivalries, more than 10,000 members of these groups participated in an inaugural rally last week without the usual clashes. The new group also involves more moderate students who are normally interested primarily in campus issues.

As part of their antitreaty struggle, the students pledged to block by force the departure of Prime Minister Sato for the US in the late fall. The group has also announced its intention to paralyze universities throughout the country in coming months.

Meanwhile, the traditional opposition mass groups, the Socialists, Communists, and the major labor federation, have said that they will abstain from violence, at least during the campaign to block Sato's trip to the US. These groups are anxious to dissociate themselves from the violent tactics of the radical students which have met with increasing popular disapproval.

To cope with anticipated antitreaty demonstrations, 25,000 police in Tokyo are being placed on emergency alert for riot control duty for a full year beginning 1 October.

Norway: The parliamentary elections held the beginning of this week returned the center-right coalition to office by only the barest margin.

The combined majority of the coalition parties in Parliament shrank from ten to two, but the loss was not evenly distributed. Prime Minister Per Borten's Center Party actually gained two seats, thus strengthening his hold on the leadership of the coalition. The opposition Labor Party increased its representation six seats, and in the process shut out the radical left Socialist People's Party (SPP).

The SPP thus joins the Communists as the only national political party without a voice in Parliament, and for many of the same reasons. These include lack of leadership, ideological and generational splits, disaffection following the invasion of Czechoslovakia, and a concerted effort by the Labor Party to rally the left under its banner.

Within the coalition, discussions on the allocation of cabinet portfolios have intensified but no major changes are expected. Prime Minister Per Borten has pointed out that with their reduced margin in Parliament the four bourgeois parties will have to enforce strict discipline on their members. This will fall hardest on the few Liberals who have occasionally adopted positions contrary to the coalition and who have already called for the party's withdrawal from the government.

In an effort to exploit the differences within the coalition as well as vent its own frustrations over its narrow defeat, the Labor Party is expected to call for a vote of no confidence when the new Parliament convenes. Even though it is not likely that such a vote would succeed at this point, the government has been put on notice that its margin for error is nonexistent.

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UN: Finland is sounding out the permanent members of the UN Security Council about an initiative on international civil aviation safety.

Ecuador

appears ready to take the issue to the UN following the recent hijacking of two military aircraft to Cuba which resulted in the death of a copilot. The International Federation of Airline Pilots has threatened a 24-hour strike of all international flights if the Security Council does not come up with effective measures for flight protection in two weeks time.

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Bolivia: Guido "Inti" Peredo, the self-proclaimed leader of the pro-Castro Army of National Liberation, was killed Tuesday by Bolivian military and police personnel in La Paz. Peredo was one of only two Bolivian guerrillas to survive the ill-fated insurgency campaign led by Cuba's "Che" Guevara in 1967. His death deprives the extremists of a potential rallying point for guerrilla activity.

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Czechoslovakia: Prague residents are reported to be on another buying spree. This latest wave of buying is caused by continued inflation and by fears that the Czechoslovak crown will be devalued. Shoppers are said to be hoarding all types of consumer articles purchased on both the open and black markets. The party daily Rude Pravo has complained that factories and stores, instead of increasing production to keep up with demand, have raised their prices, thus spurring inflation.

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